



# Memorandum

**TO:** CITY COUNCIL

**FROM:** Mayor Chuck Reed  
Vice Mayor Madison Nguyen  
Councilmember Rose Herrera  
Councilmember Sam Liccardo

**SUBJECT: ECONOMIC STRATEGY  
UPDATE AND PROPOSED  
18-MONTH WORKPLAN**

**DATE:** April 12, 2013

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**APPROVED:** *Chuck Reed* **DATE:** *4/12/13*

*Madison Nguyen*  
M.V.

*Rose Herrera* (AQ)

*Sam Liccardo* FB

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## **RECOMMENDATIONS:**

Accept staff report on the accomplishments of the Economic Strategy Workplan to date, the status and use of development incentives, the status of campus development and leasing opportunities, and the proposed 18-month Workplan (July 2013 – December 2014), with further direction to:

1. Focus on implementing the following Highest Priority Strategic Goals and Actions listed in Exhibit B of the 18-month Workplan as described below:

- **Goal #6:** Improve the Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating a Business in San Jose

6.a Working through the Mayor's Ad Hoc Committee on Economic Competitiveness, ensure the timely delivery of major development projects that can have a measureable impact on job creation or revenues within the next 18 months, including those that will generate tax increment, property tax revenues, or sales tax revenues

6.c Retain and improve the Expedited Planning Permit, Special Tenant Improvement and Industrial Tools Installation programs and continue to reorganize and streamline the development review process

- **Goal #1:** Encourage Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure

1.a Through the City's ongoing Business Outreach Program, incorporate focused retention and expansion visits with driving industry companies

1.c Promote the key attributes of San Jose to businesses looking to expand or move as well as to property owners and the brokerage and development community

- **Goal #2:** Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Vitality
  - 2.a Advance destination retail projects on existing sites through the planning stage, including Almaden Ranch, Evergreen Arcadia, and Hitachi Cottle Road
  - 2.b Support retail and small businesses in Downtown and Neighborhood Business Districts and advance goals to provide access to public transportation as needed
- **Goal #3:** Preserve and Strengthen Manufacturing-Related Activity and Jobs
  - 3.a Preserve industrial lands and facilities that support manufacturing and protect existing industrial land uses from incompatible uses
- **Goal #9:** Keep Developing a Competitive, World Class Airport, and Attract New Air Service
  - 9.a Maintain a cost-competitive, efficient and attractive airport that can successfully compete with airports in the Bay Area and across the nation in recruiting carriers and flights to serve Silicon Valley
  - 9.b. Execute strategy to recruit new international and domestic air service in partnership with the Silicon Valley business community
  - 9.c Facilitate private sector development of a new general aviation facility on the Airport's west side property
- **Goal #10:** Continue to Position Downtown as Silicon Valley's City Center
  - 10.b Position Downtown San Jose as an easy-to-access, competitive work environment for start-ups, scaling businesses, and freelancers by highlighting our innovation and creativity.
  - 10.c Maintain a dialogue with existing downtown businesses, property owners and brokers to retain and grow and attract new businesses.
- **Goal #12:** Develop a Distinctive Set of Sports, Arts, and Entertainment Offering Aligned with San Jose's Diverse, Growing Population
  - 12.a Enable construction of the San Jose Earthquakes Major League Soccer Stadium
  - 12.b Continue planning for a Major League Baseball facility in the Diridon Station Area
- 2. Update the Community and Economic Development Committee and City Council with six month progress reports of the accomplishments associated with implementing the Highest Priority Strategic Goals and Actions

**BACKGROUND:**

The Economic Strategy 2010-2015 articulated well the choices we had to make to stimulate a growing economy, prosperity and opportunity for residents, and revenue growth to fund City

services. At the time of adoption, we encouraged our Citywide Economic Development team to take risks, to be innovative, to find new ways of doing business, and to pursue strategic partnership opportunities to advance our economic development goals. In the past three years staff has done well to focus on ways to make San Jose a more competitive and business-friendly city, and to provide a high level of service to existing and new driving industry companies, small businesses, investors and the development community. National and global financial and economic circumstances have certainly challenged us to do our work in ways that are impactful and outcome-oriented. Staff has delivered on getting to “yes” quickly on numerous occasions, worked at the speed of business to respond to growing driving industry companies, reduced the cost to businesses that are considering locating and expanding here, and strengthened business relationships through regular outreach visits. We applaud the team.

The proposed 18-month Implementation Workplan includes 12 Strategic Goals and 39 Action Items. There’s a lot of important work that has been identified in the workplan. Staff recommends focusing on implementing three (3) Strategic Priorities (Goal #1, Goal #2 and Goal #4) and focusing efforts in four (4) Sub Market Areas (the Trimble Sub Market, 237 Sub Market, Downtown, and International Business Park Sub Market), Horizon 1 Urban Villages, and Neighborhood Business Districts that have high potential for near-term development.

We believe that the Highest Priority Strategic Goals and Actions recommended in this memo will best focus our efforts to achieve the greatest benefit in the next 18 months and have measurable impact on San Jose’s jobs and revenue generation goals. Staff attention on market activity is appropriate, but we believe attention should continue to be focused on all employment centers throughout the city. Tenants demand where they want to be and how much they are willing to pay, and location decisions are often influenced by where corporate executives and staff live and where the company’s clients are located. San Jose offers prime locations for economic development purposes in the Downtown, North San Jose, Edenvale, Evergreen, North Coyote Valley, Monterey Corridor, Julian-Stockton, Olinder, Mid-Town and other business corridors each offering unique attributes. All these areas must continue to be positioned strongly for the specific uses that our policies and strategy plans call for. We must continue to maintain control of our core competencies to facilitate development by reducing costs and expediting the permit process.

The development pipeline is strong as evidenced by the Development Services Major Projects List. Staff is currently facilitating the permit process of over twenty five private investment proposals in office/R&D, high rise residential and retail developments. At the Airport, our Air Service Strategy and efforts to develop the west side property are generating good results as well. The groundbreaking of the Earthquakes stadium in October 2012 set a new Guinness World Record and the stadium project is also in the building permit process for start of construction later this year. We have sent a signal that San Jose is competing as best we can for investments that are being made as the local economy improves and the impacts of our efforts will be significant. Let’s continue to cut time consuming and costly impediments out of the development process, accelerate development and construction projects, and focus on opportunities to capture job and revenue growth throughout San Jose in the next 18 months. And of course we all await word regarding the A’s Stadium at Diridon, which will create the best environment for the influx of private investment in the Downtown and surrounding business districts, and will be the most impactful action that we can take Downtown.